

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 EB-07

COME-00 TRSE-00 OMB-01 OPIC-03 /070 W

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R 091130Z SEP 75

FM AMCONSUL MUNICH

TO SECSTATE WASHDC 6179

INFO AMEMBASSY BONN

AMCONSUL BREMEN

AMCONSUL DUSSELDORF

AMCONSUL FRANKFURT

AMCONSUL HAMBURG

AMCONSUL STUTTGART

USMISSION USBERLIN

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E.O. 11652: N/A

TAGS: PFOR, GW

SUBJECT: CHANCELLOR SCHMIDT'S ADDRESS HIGHLIGHTS SPD LANDESPARTEITAG  
IN BAVARIA

1. SUMMARY. BAVARIAN SPD HELD PARTEITAG SEPTEMBER 6-7 IN  
MUNICH WHOSE FEATURE EVENT WAS ADDRESS BY CHANCELLOR SCHMIDT.  
SCHMIDT USED OCCASION TO DELIVER MAJOR SPEECH ON COALITION'S  
AUSTERITY PROGRAM, WHICH HE DESCRIBED AS IMPERATIVE IN VIEW  
OF REDUCTION OF FRG EXPORT EARNINGS AS RESULT OF WORLD RECESSION.  
HE CHARACTERIZED FRG'S ECONOMIC AND SOCIAL SITUATION AS  
BETTER THAN THAT OF OTHER LARGE INDUSTRIAL COUNTRIES -- HE  
ATTRIBUTED THIS TO RESPONSIBLE BEHAVIOR OF TRADE UNIONS --  
AND EXPRESSED CONFIDENCE THAT FRG PUBLIC WOULD UNDERSTAND AND  
SUPPORT AUSTERITY PROGRAM. SCHMIDT CAME DOWN HARD AGAINST  
JUSO AND OTHER LEFTIST ELEMENTS IN BAVARIAN SPD WHO CHAMPION  
ISSUES WHICH ALIENATE MODERATE VOTERS. PARTEITAG RESOLUTIONS  
WERE GENERALLY MODERATE, REFLECTING ORIENTATION OF BAVARIAN LAND  
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CHAIRMAN (AND FEDERAL MIN. JUSTICE) VOGEL. END SUMMARY.

2. AUSTERITY PROGRAM. CHANCELLOR SCHMIDT DEVOTED BULK OF SEPTEMBER 7 SPEECH TO LANDESPARTEITAG OF SPD BAVARIAN LANDES-VERBAND (LAND DISTRICT) TO HIS FIRST PUBLIC EXPOSITION OF RATIONALE FOR HIS GOVERNMENT'S AUSTERITY PROGRAM ("KONSOLIDATIONSPROGRAMM"). BASIC THEMES OF SCHMIDT'S ADDRESS WERE THE FOLLOWING:

A. FRG'S POLICIES HAVE NOT RPT NOT CONTRIBUTED TO CONTINUING WORLD RECESSION, WHOSE BASIC CAUSES WERE UNINTENDED EXPORT BY U.S. OF INFLATION RESULTING FROM VIETNAM WAR EXPENDITURES AND, MORE IMPORTANTLY, STEEP RISE IN PETROLEUM PRICES;

B. IMPACT OF RECESSION ON FRG IS, ON THE OTHER HAND, SIGNIFICANT: FRG EXPORTS HAVE BEEN REDUCED SUBSTANTIALLY (HE MENTIONED FIGURE OF 40 BILLION DM) AND THIS HAS LED TO INCREASED UNEMPLOYMENT (WITH CORRESPONDINGLY HIGHER OUTLAYS FOR UNEMPLOYMENT COMPENSATION), TAX REVENUE LOSSES, AND DIFFICULTIES WITH FEDERAL BUDGET.

C. AUSTERITY PROGRAM REPRESENTS FAIR AND FINANCIALLY SOUND APPROACH TO SPECIFIC ECONOMIC AND BUDGETARY PROBLEMS CURRENTLY FACING FRG, AND ALTERNATIVES, ESPECIALLY FREEZING OF WAGES AND PRICES, WOULD BE EVEN MORE UNPLEASANT;

D. FRG, WITH RELATIVELY LOW RATES OF UNEMPLOYMENT AND INFLATION (HE CITED NINE PERCENT U.S. UNEMPLOYMENT RATE AND TWENTY-FIVE PERCENT RATE OF INFLATION IN ENGLAND) AND HIGH DEGREE OF "SOCIAL STABILITY" IS BETTER OFF THAN OTHER LARGE INDUSTRIAL COUNTRIES IN THE WEST AS WELL AS THE STATES OF EASTERN BLOC; (SCHMIDT ATTRIBUTED THIS STABILITY TO RESTRAINT AND WISDOM OF GERMAN LABOR UNIONS);

E. FRG HAS BEEN MAKING INTERNATIONAL EFFORT TO COMBAT RECESSION AND SCHMIDT'S RECENT TALKS WITH PRESIDENTS FORD AND GISCARD, PRIME MIN. WILSON AND OTHER WESTERN LEADERS HAVE FOCUSED ON THIS SUBJECT;

F. GERMAN PUBLIC IS DISCRIMINATING ENOUGH TO APPRECIATE ACHIEVEMENTS OF SPD-FDP COALITIONS OVER PAST SEVEN YEARS AND TO UNDERSTAND AND SUPPORT PRESENT AUSTERITY PROGRAM.  
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3. THE COALITION. SCHMIDT LIKENED THE SPD-FDP COALITION TO A "MARRIAGE OF CONVENIENCE" FROM WHICH BOTH PARTNERS, DESPITE THEIR DIFFERENCES, DERIVE IMPORTANT ADVANTAGES. HE MADE IT CLEAR THAT SPD WILL FOLLOW POLICY SET FORTH IN 1972 GOVERNMENT DECLARATION (REGIERUNGS ERKLARUNG).

4. OSTPOLITIK. APART FROM DISCUSSION OF WORLD RECESSION AND

EXPRESSION OF SUPPORT FOR FONMIN GENSCHER'S DECLARATION (AT SPECIAL UNGA SESSION) OF FRG'S WILLINGNESS TO ENGAGE WITH LDC'S IN DIALOGUE ON ECONOMIC DEVELOPMENT, SCHMIDT'S ADDRESS CONTAINED VIRTUALLY NO RPT NO REFERENCE TO FOREIGN AFFAIRS. IN SECOND APPEARANCE ON ROSTRUM IN COURSE OF DEBATE ON ISSUES UNDER DISCUSSION AT PARTEITAG, SCHMIDT MADE INTERESTING REFERENCE TO OSTPOLITIK. HE SAID HE FAVORED EFFORTS TOWARD CONTINUED IMPROVEMENT IN RELATIONS WITH EASTERN BLOC BUT FELT THAT SUCH EFFORTS SHOULD BE BASED ON REALISTIC APPRAISAL OF SITUATION, INCLUDING AWARENESS OF EVENTS IN CZECHOSLOVAKIA IN 1968.

5. SCHMIDT HITS LEFTISTS. LEFTIST, PARTICULARLY JUSO, ELEMENTS AT CONFERENCE PURSUED THREE ISSUES: OPPOSITION TO SPECIAL LEGISLATION IN CONNECTION WITH BAADER-MEINHOF GROUP; REVERSAL OF MINISTER-PRESIDENTS' DECISION AGAINST EMPLOYMENT OF POLITICAL RADICALS IN CIVIL SERVICE JOBS; AND ADVOCACY OF "STATE DIRECTED INVESTMENTS", I.E., STATE CONTROL AND DIRECTION OF ALL INDUSTRIAL INVESTMENTS. SCHMIDT SPOKE OUT AGAINST EACH OF THESE ISSUES. HE QUESTIONED WISDOM OF DEVOTING LENGTHY SEGMENT OF PARTEITAG TO DISCUSSION OF "HOW LONG MRS. MEINHOF IS PERMITTED TO TALK TO HER LAWYERS", SUGGESTED THAT ISSUES OF SOCIAL SECURITY AND PROBLEMS OF SOCIETY AS A WHOLE ARE MORE IMPORTANT THAN CONCERN ABOUT YOUNG DKP APPLICANT FOR POSITION IN CIVIL SERVICE (THIS DREW HEAVY APPLAUSE FROM TWO-THIRDS OF DELEGATES), AND ASKED WHO WOULD MAKE UP LOSSES INCURRED AS RESULT OF UNWISE INVESTMENT DECISIONS BY STATE BUREAUCRACY. ON LATTER ISSUE SCHMIDT STATED THAT GERMAN FIRMS NEED GOOD PROFITS BECAUSE THEY MEAN NEW INVESTMENTS AND THEREFORE NEW JOBS. WHEN DELEGATES FAILED TO APPLAUD, SCHMIDT SAID: "OH, APPLAUSE IS LACKING HERE, BUT IT'S STILL THE TRUTH".

6. COMMENT. A. SCHMIDT'S OBJECTIVES. SCHMIDT'S ADDRESS TO PARTEITAG WAS OBVIOUSLY DESIGNED TO SET TONE AND ENUNCIATE BASIC LIMITED OFFICIAL USE

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THEMES SPD LEADERS WILL USE TO EXPLAIN AND DEFEND COALITION'S AUSTERITY PROGRAM IN COMING MONTHS. PRE-EMPTION OF INTRA-SPD DEBATE ON AUSTERITY PROGRAM AND ASSURANCE TO LABOR UNIONS OF CHANCELLOR'S OPPOSITION TO WAGE FREEZE WERE SIGNIFICANT COROLLARY OBJECTIVES. SCHMIDT ALSO USED OCCASION TO COME DOWN HARD ON LEFTIST ELEMENTS IN SOUTHERN BAVARIA DISTRICT (WHICH INCLUDES MUNICH) WHICH CHAMPION ISSUES WHICH ALIENATE MODERATE VOTERS AND CAUSE UNEASE IN FDP. IN HIS ADDRESS AS WELL AS HIS BRIEF PARTICIPATION IN DEBATE, SCHMIDT ASSUMED ROLE OF STATESMAN WHO, WHILE LOYAL AND PROUD MEMBER OF SPD, MUST, AS HEAD OF COALITION GOVERNMENT, DEAL REALISTICALLY WITH COMPLEX ISSUES. DELEGATES GREETED SCHMIDT WARMLY, ALTHOUGH MOST JUSOS SAT GLUMLY SILENT WHEN OTHER DELEGATES APPLAUDED SCHMIDT'S SALLIES AGAINST LEFTIST POSITIONS.

B. SPD IN BAVARIA. DELEGATIONS FROM FRANCONIAN DISTRICT (WHICH IS STRONGEST OF BAVARIA'S THREE SPD DISTRICTS) AND LOWER BAVARIA (WEAKEST OF THREE) SUPPORTED LAND CHAIRMAN VOGEL IN SUCCESSFUL EFFORT TO PREVENT JUSOS AND OTHER LEFTISTS FROM SOUTHERN BAVARIA FROM PASSING RESOLUTIONS VOGEL FELT WOULD FURTHER DAMAGE SPD'S IMAGE WITH MODERATE VOTERS AND THUS HURT PROSPECTS FOR 1976 ELECTIONS. FRANCONIAN DISTRICT CHAIRMAN FRIEDRICH PLAYED KEY BACKSTAGE ROLE IN THIS EFFORT. VOGEL ATTACKED HIS LEFTIST CRITICS MORE MILDLY THAN IN PAST (DESPITE FACT THAT LEFTIST RESOLUTION ON BAADER-MEINHOF COULD BE INTERPRETED AS CRITICISM OF HIS PERFORMANCE AS MIN. JUSTICE) AND SOUTHERN BAVARIAN LEFTISTS MADE LAST-MINUTE GESTURES OF COMPROMISE, E.G. BY ACCEPTING MORE MODERATE POSITION ON RADICALS IN CIVIL SERVICE. VOGEL SEEMS CERTAIN TO REMAIN BAVARIAN LAND CHAIRMAN THROUGH '76 ELECTIONS.

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** COALITION GOVERNMENT, POLITICAL PARTIES, PARTY LEADERS, SPEECHES, ECONOMIC PROGRAMS, LABOR UNIONS, PUBLIC ATTITUDES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 09 SEP 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** GolinoFR  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975MUNICH01924  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D750311-0644  
**From:** MUNICH  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1975/newtext/t19750970/aaaackgz.tel  
**Line Count:** 185  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EUR  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 4  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** GolinoFR  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 02 JUN 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <02 JUN 2003 by ShawDG>; APPROVED <03 JUN 2003 by GolinoFR>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
06 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** CHANCELLOR SCHMIDT'S ADDRESS HIGHLIGHTS SPD LANDESPARTEITAG IN BAVARIA  
**TAGS:** PFOR, ECON, GE, SPD, (SCHMIDT, HELMUT)  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006